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TAGS: EGEN, ECON, XC, XE, XP

SUBJECT: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT
JULY 19, 1977

1. PREPARATION FOR US-ASEAN ECONOMIC CONSULTATIONS (LIMITED OFFICIAL USE)

ON JULY 14 ERLAND CHAIRED THE FIRST INTERAGENCY
MEETING ON PREPARATION FOR THE US-ASEAN ECONOMIC
TALKS. IT WAS AGREED THAT WE WILL PREPARE THREE SETS
OF PAPERS: A GENERAL SCOPE AND STRATEGY PAPER, PAPERS
TO BE EXCHANGED WITH ASEAN ELABORATING OUR VIEWS
ALREADY PROVIDED ON THE MAJOR AGENDA ITEMS AND US
POSITION PAPERS FOR THE USE OF THE DELEGATION ON ALL
THE AGENDA ITEMS AND ISSUES THAT MAY ARISE. THE FIRST
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TWO SETS OF PAPERS ARE TO BE READY BY END OF JULY AND
POSITION PAPERS BY MID-AUGUST.

2. ASEAN-JAPANESE CONSULTATIONS (CONFIDENTIAL)

LAST WEEK WE ASKED EMBASSY TOKYO TO CONVEY TO THE
JAPANESE GOVERNMENT OUR OPPOSITION TO A STABEX TYPE

AGREEMENT WITH ASEAN. THE EMBASSY HAS REPORTED THAT WHILE MOFA, IN AN ATTEMPT TO BE RESPONSIVE TO ASEAN,

HAD OUTLINED A STABEX PROPOSAL, OTHER MINISTRIES WITHIN THE JAPANESE GOVERNMENT HAVE NOT ACCEPTED IT AND THE PROPOSAL IS NOW AT A STANDSTILL.

3. MTN (LIMITED OFFICIAL USE)

AMBASSADOR STRAUSS AND EC COMMISSION PRESIDENT JENKINS HAVE REACHED AN AGREEMENT ON A PLAN FOR WORKING OUT THE MAJOR ELEMENTS OF AN MTN PACKAGE BY JANUARY 15, 1978. THE PLAN CALLS FOR HAVING IN PLACE THE BASIC ELEMENTS OF A SUBSTANTIAL AGREEMENT INCLUDING 1) A TARIFF PLAN; 2) REQUESTS AND OFFERS FOR AGRICULTURAL TARIFFS AS WELL AS FOR INDUSTRIAL AND AGRICULTURAL NON-TARIFF MEASURES (NTM) NOT COVERED BY MULTILATERAL CODES; AND 3) ACCEPTABLE DRAFT TEXTS FOR ALL NTM CODES AND AGREEMENTS UNDER NEGOTIATION. THE FIRST OPPORTUNITY TO IMPLEMENT PART OF THE PLAN WILL COME ON JULY 19, WHEN GROUP AGRICULTURE WILL MEET. WE HOPE THAT THE GROUP WILL ADOPT A REQUEST/OFFER PROCEDURE FOR GETTING THE NEGOTIATIONS UNDERWAY IN THAT AREA. ON JULY 22 WE HOPE THAT THE NTM PARENT GROUP WILL ADOPT A SIMILAR REQUEST/OFFER PROCEDURE FOR NTMS NOT COVERED BY MULTILATERAL CODES.

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4. COMMODITIES (LIMITED OFFICIAL USE)

TIN

THE SIXTH SESSION OF THE INTERNATIONAL TIN COUNCIL ENDED IN A "DRAW". THE NEW FLOOR PRICE WAS HIGHER THAN WE THOUGHT ADVISABLE. HOWEVER WE, JOINED BY JAPAN AND GERMANY, ABSTAINED RATHER THAN VOTING AGAINST THE FINAL RESOLUTION BECAUSE IT ALSO CONTAINED CONSUMER SPONSORED QUALITATIVE SECTIONS ON TAXES AND INVESTMENT AND ON THE FUTURE USE OF EXPORT CONTROLS. THIS SESSION OF THE ITC WAS SOMEWHAT UNIQUE IN THAT THE US WAS NOT ISOLATED ON THE PRICE RANGE QUESTION. BOLIVIA CONSIDERED ITSELF BETRAYED BY ITS FELLOW PRODUCERS WHO FAILED TO SUPPORT ITS POSITION FOR AN EVEN HIGHER FLOOR PRICE.

COFFEE

MEXICO HAS SUGGESTED THAT A WORKING GROUP BE ESTABLISHED IN THE INTERNATIONAL COFFEE ORGANIZATION TO STUDY THE CREATION OF A BUFFER STOCK. IT BELIEVES THAT THE

PRODUCERS ARE RECEPTIVE TO THE IDEA AND COULD BE
PERSUADED TO ACCEPT THE RATHER HIGH COSTS OF HOLDING
STOCKS IN ORDER TO MODERATE PRICE SWINGS.

5. FOREIGN ASSISTANCE LEGISLATION (LIMITED OFFICIAL USE)

HOUSE AND SENATE CONFEREES ON THE IFI AUTHORIZATION
BILL MADE NO DECISIONS ON THE DIFFICULT ISSUES
(DOLE AMENDMENT, PALM OIL AMENDMENT, HUMAN RIGHTS)
LAST WEEK AND ARE MEETING AGAIN THIS AFTERNOON, JULY 19.

INOUE SUBCOMMITTEE AND FULL APPROPRIATIONS COMMITTEE
MARK-UP OF THE FY 78 FOREIGN ASSISTANCE APPROPRIATIONS
BILL TURNED OUT WELL IN MOST RESPECTS. FLOOR ACTION
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COULD OCCUR BY THE END OF THE WEEK. THE PALM OIL,
SUGAR AND CITRUS PROVISION WAS DELETED, AS WAS THE
PHRASE "OR INDIRECTLY" WITH RESPECT TO ASSISTANCE TO
VIETNAM, CAMBODIA, LAOS, UGANDA, ANGOLA, MOZAMBIQUE
AND CUBA. A NEW RESTRICTIVE PROVISION WAS ADDED,
HOWEVER, THAT WOULD LIMIT SALARIES OF US EXECUTIVE
DIRECTORS TO THE IFIS TO LEVELS COMPARABLE WITH USG
PAY SCALES. THE COMMITTEE ALSO ACCEPTED HUMAN RIGHTS
LANGUAGE BY SENATOR DECONCINI IN ITS REPORT, BUT NOT
IN THE BILL, THAT WOULD REQUIRE NEGATIVE VOTES IN
RESPONSE TO A "CONSISTENT PATTERN OF GROSS VIOLATIONS",
BUT INOUE IS WORKING WITH DECONCINI TO TONE IT DOWN.

FUNDING LEVELS FOR THE IFIS ARE AS REQUESTED BY THE
ADMINISTRATION FOR THE ADB AND IFC AND AT HOUSE LEVELS
FOR THE OTHER ACCOUNTS. THE COMMITTEE STRUCK THE 5
PERCENT HOUSE CUT IN SECURITY ASSISTANCE, BUT IT
REDUCED ECONOMIC ASSISTANCE SLIGHTLY BELOW LEVELS
ADOPTED BY THE HOUSE.

6. OPIC (LIMITED OFFICIAL USE)

PREMATURE REPORTS THAT OPIC MAY DISCONTINUE ITS PROGRAMS
IN SINGAPORE HAVE LED TO GOS TO MAKE REPRESENTATIONS
IN SINGAPORE AND WASHINGTON (THE EMBASSY'S FIRST
SECRETARY PHONED EA/EP AND CALLED ON OPIC). WORD OF
POSSIBLE OPIC ACTION WAS NOT INTENDED TO REACH THE GOS
BUT DID SO AS A RESULT OF PRECAUTIONARY STEPS TAKEN
BY OPIC. AT THE NEXT BOARD MEETING, POSTPONED TO
AUGUST 2, THE OPIC BOARD WILL CONSIDER PROPOSED NEW
GUIDELINES DESIGNED TO RESTRICT OPIC'S INSURANCE
PROGRAM IN CERTAIN OF THE MORE ADVANCED DEVELOPING
COUNTRIES. TO GRANDFATHER PIPELINE INVESTMENT PROJECTS,
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OPIC NOTIFIED PROSPECTIVE INVESTORS IN ALL COUNTRIES THAT MIGHT BE AFFECTED TO APPLY FOR INSURANCE BEFORE THE BOARD MEETING, AND ONE OF THESE UNNECESSARILY INFORMED THE GOS. WE POINTED OUT TO THE SINGAPORE EMBASSY, UPON ITS INQUIRY, THAT OPIC'S NOTIFICATION WAS PRECAUTIONARY IN NATURE, THAT NO DECISION ON

GUIDELINES HAS YET BEEN MADE, AND THAT SINGAPORE WILL NOT NECESSARILY BE AFFECTED, SINCE THE PROPOSED GUIDELINES WILL TAKE INTO CONSIDERATION A VARIETY OF FACTORS, NOT MERELY PER CAPITA GNP.

AS MATTERS STAND, EA HAS SENT EB A MEMORANDUM RECOMMENDING THAT SINGAPORE BE EXEMPT FROM NEW RESTRICTIONS ON OPIC PROGRAMS, AND WE ARE PREPARED TO MAKE THE CASE FORCEFULLY, IF NECESSARY. WE UNDERSTAND THAT OTHER GEOGRAPHICAL BUREAUS ARE TAKING SIMILAR POSITIONS REGARDING MOST OF THE POTENTIALLY AFFECTED COUNTRIES, HOWEVER, AND THAT IT MAY TAKE ANOTHER WEEK TO WORK OUT A STATE POSITION ON COUNTRIES TO BE AFFECTED.

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